



Montana Equity Capital Investment Act
Senate Bill 133 – 1995 (Mangen/McKenney)
MCA 90-10

SB133 - Purpose

- attracting out of state venture investment funds interested in providing equity capital and near-equity capital to Montana entrepreneurs and economic innovators in Montana
- nourish creation of a private seed and venture capital industry in Montana to fund academic, technological, and innovative startup companies and other companies that are expanding or restructuring
- encourage lead local investors with which out-of-state venture investors can partner

Tax Credits

- \$60 million in contingent, deferred tax credits available.
 - No more than \$25 million issued before January 1, 2009
 - No more than \$12 million in tax credits may be claimed in one year
 - Tax credits may not be claimed before July 1, 2010 or after July 1, 2031
 - Tax credits may be carried forward for up to 12 years

Tax Credit "Certificates"

- Certificates may be transferred from one holder to another and must permit a person with an interest in the tax credit to record that interest.
- A Certificate is binding on the Board and the Department of Revenue once capital is provided to the Montana Equity fund.
- A Certificate may not be modified, rescinded, or terminated except that redemption terminates the certificate.
- Certificates will include the conditions for claiming a tax credit including;
 - A scheduled rate of return
 - The formula by which a shortfall in returns of invested principal and interest is to be calculated
 - The upper limit of tax credits available under the certificate
 - The dates by which the tax credits may first be redeemed and last redeemed

Montana Capital Investment Board

- Five voting members serving staggered 4 year terms
- Selected based upon demonstrated expertise and competence in the;
 - Supervision of investment managers
 - Fiduciary management of investment funds
 - Management and administration of tax credit allocation programs
- Governor designates presiding officer
- Attached to the Montana Department of Commerce for Administrative Purposes

Duties of the Board

- Select and certify one designated investor group to organize, capitalize, manage, and direct the funds.
- Approve the timing and the initial sale of tax credit certificates and the implementation of the investment plan.
- Approve the designated investor groups scheduled return of capital and rate of return on capital to the certificate holder.
- Charge the designated investor group a reasonable fee commensurate with the costs of implementing the Act.
- Develop a tax credit registration system with the Department of Revenue to identify all eligible certificate holders.
- Develop a system for the redemption of tax credits if a shortfall occurs in the scheduled return of capital and rate of return on capital listed on the certificate.

Designated Investor Group

- Maintain an office in Montana
- May receive fees for services.
- May not invest more than 25% of the fund in one business,
- May not have a controlling interest along with individual fund investors in a portfolio company.
- Shall "seek to cause" at least \$1 of investment in Montana projects for each \$1 invested by the Montana equity fund in its aggregate portfolio of investment funds.
- Provide an annual audit to the Board, the Governor, and the Legislative Audit Committee.
- Publish an annual report.

Budget

- 2 FTE
- Authorized \$146,936 in FY08 – spent \$62, 820 in FY08
- Authorized \$146,936 in FY09 – spent \$17,729 in FY08